

KELLY WATER DISTRICT
Kelly, Louisiana

Annual Financial Statements

As of and for the Year Ended
October 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/16/11

KELLY WATER DISTRICT
Kelly, Louisiana

Annual Financial Statements

As of and for the Year Ended October 31, 2010

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M. CARLEEN DUMAS
Certified Public Accountant
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Accountant's Compilation Report

BOARD OF COMMISSIONERS
KELLY WATER DISTRICT
Kelly, Louisiana

I have compiled the accompanying financial statements of the business-type activities of the Kelly Water District (the "District") as of and for the year ended October 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the District in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The current year findings and corrective action plan on page 13, is not a required part of the basic financial statements but is supplementary information required by the Louisiana Governmental Audit Guide. I have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or provide any assurance on the supplementary information. Management has not presented the Management's Discussion and Analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

/s Carleen Dumas
Calhoun, Louisiana
January 28, 2011

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana of Certified Public Accountants

BASIC FINANCIAL STATEMENTS

Statement A**KELLY WATER DISTRICT
Kelly, Louisiana****STATEMENT OF NET ASSETS
October 31, 2010****ASSETS****Current assets:**

Cash	\$105,481
Investments	250,009
Accounts receivable - water sales (net of allowance for doubtful accounts)	<u>11,268</u>
Total current assets	<u>366,758</u>

Noncurrent assets:

Property, plant and equipment (net of accumulated depreciation)	<u>208,140</u>
Total assets	<u>574,898</u>

LIABILITIES**Current liabilities:**

Accounts payable	1,682
Payroll taxes payable	80
Customer deposits	<u>22,154</u>
Total current liabilities	<u>23,916</u>

NET ASSETS

Invested in capital assets	208,140
Unrestricted	<u>342,842</u>
Total net assets	<u>550,982</u>

See accompanying notes and accountant's compilation report.

Statement B**KELLY WATER DISTRICT
Kelly, Louisiana****STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
For the Year Ended October 31, 2010****OPERATING REVENUES**

Water sales	\$101,815
Connection and reconnection fees	625
Other income	<u>1,377</u>
Total operating revenues	<u>103,817</u>

OPERATING EXPENSES

Office expense	6,418
Repairs and maintenance	26,054
Utilities	9,123
Insurance	11,972
Salaries	42,696
Payroll taxes	3,266
Depreciation	19,165
Other operating expenses	<u>1,740</u>
Total operating expenses	<u>120,434</u>

OPERATING INCOME (Loss)	<u>(16,617)</u>
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NON-OPERATING REVENUES

Interest earned on deposits	9,000
Property taxes	<u>38,557</u>
Total non-operating revenues	<u>47,557</u>

CHANGE IN NET ASSETS	30,940
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NET ASSETS - BEGINNING	<u>520,042</u>
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NET ASSETS - ENDING	<u><u>\$550,982</u></u>
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See accompanying notes and accountant's compilation report.

KELLY WATER DISTRICT
Kelly, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended October 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$101,922
Customer deposit receipts, net	938
Payments to suppliers	(67,112)
Payments to employees	(42,696)
Net cash used by operating activities	<u>(6,948)</u>

**CASH FLOWS FROM NON-CAPITAL
FINANCING ACTIVITIES**

Property tax receipts	<u>38,557</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest earnings on bank deposits	9,000
Increase in investments	(9,008)
Net cash used by investing activities	<u>(8)</u>

NET INCREASE IN CASH	31,601
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CASH AT BEGINNING OF YEAR	<u>73,880</u>
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CASH AT END OF YEAR	<u><u>\$105,481</u></u>
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**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities**

Operating Loss	<u>(\$16,617)</u>
Adjustments:	
Depreciation	19,165
Increase in accounts receivable	(1,896)
Increase in customer deposits	938
Decrease in accounts and taxes payable	(8,538)
Total adjustments	<u>9,669</u>
Net cash provided by operating activities	<u><u>(\$6,948)</u></u>

See accountant's compilation report and accompanying notes.

KELLY WATER DISTRICT
Kelly, Louisiana

Notes to the Financial Statements
As of and for the Year Ended October 31, 2010

INTRODUCTION

Kelly Water District was created by the Caldwell Parish Police Jury in 1972, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board appointed by the police jury who serve for indefinite terms of office without the benefit of compensation. The district serves approximately 387 customers and has two employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Kelly Water District is considered a component unit of the Caldwell Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- (1) Management's discussion and analysis (MD&A)
- (2) Statement of net assets
- (3) Statement of revenues, expenses, and changes in net assets
- (4) Statement of cash flows
- (5) Notes to the financial statements
- (6) RSI other than MD&A, if applicable

The Kelly Water District is a special-purpose government engaged only in business-type activities.

See accountant's compilation report.

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Kelly Water District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the Kelly Water District are water sales revenues and connection and reconnection fees. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Deposits and Investments

Cash includes amounts in interest-bearing demand deposits. State law allows the district to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At October 31, 2010, the district's investments consist of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost.

D. Receivables

Receivables for water sales are shown net of an allowance for uncollectible amounts. The allowance is an estimate based on the amount of receivables that are not expected to be collected.

See accountant's compilation report.

KELLY WATER DISTRICT
Notes to the Financial Statements

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The district is authorized to levy a maximum tax of 10 mills annually on property within the boundaries of the district for maintenance and operation of the district beginning with the year 2008 and ending with the year 2017.

E. Capital Assets

Capital assets, which include the original water system and major improvements, buildings, and equipment are reported in the enterprise fund financial statements. All of the district's capital assets are capitalized at historical cost. The Kelly Water District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - water system and improvements	25 years
Buildings	25 years
Equipment	5-10 years

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS IN FINANCIAL INSTITUTIONS

At October 31, 2010, the district has cash and investments (book balances) as follows:

Interest bearing checking account	\$29,461
Interest bearing savings accounts	76,020
Investments - certificates of deposit	<u>250,009</u>

See accountant's compilation report.

KELLY WATER DISTRICT
Notes to the Financial Statements

Total \$355,490

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At October 31, 2010, the Kelly Water District has \$355,353 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$93,374 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). At October 31, 2010, \$11,979 in bank deposits were not secured.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

3. ACCOUNTS RECEIVABLE

At October 31, 2010, the district has net receivables of \$11,268 as follows:

Water sales	\$12,595
Allowance for uncollectible accounts	<u>(1,327)</u>
Net receivables	<u>\$11,268</u>

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended October 31, 2010, is as follows:

	Balance at November 1, 2009	Increases	Decreases	Balance at October 31, 2010
Capital assets being depreciated:				
Water system and improvements	\$655,122			\$655,122
Buildings	18,013			18,013
Equipment	38,876			38,876
Total capital assets being depreciated	<u>712,011</u>	<u>NONE</u>	<u>NONE</u>	<u>712,011</u>

See accountant's compilation report.

KELLY WATER DISTRICT
Notes to the Financial Statements

Less accumulated depreciation for:				
Water system and improvements	\$465,220	\$14,153		\$479,373
Buildings	6,171	721		6,892
Equipment	13,315	4,291		17,606
Total accumulated depreciation	<u>484,706</u>	<u>19,165</u>	<u>NONE</u>	<u>503,871</u>
Total assets being depreciated, net	<u>\$227,305</u>	<u>(\$19,165)</u>	<u>NONE</u>	<u>\$208,140</u>

Depreciation expense of \$19,165 for the year ended October 31, 2010 was reported in the enterprise fund statement of revenues, expenses, and changes in net assets.

5. RISK MANAGEMENT

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

See accountant's compilation report.

SUPPLEMENTAL INFORMATION SCHEDULE

See accountant's compilation report.

Schedule 1**KELLY WATER DISTRICT
Kelly, Louisiana****CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended October 31, 2010**

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
N/A	Bank deposits were not fully secured at October 31, 2010.	The bank has agreed to increase the amount of pledged securities.	Glenda Moreno, Secretary- Treasurer	1/27/11

See accountant's compilation report.